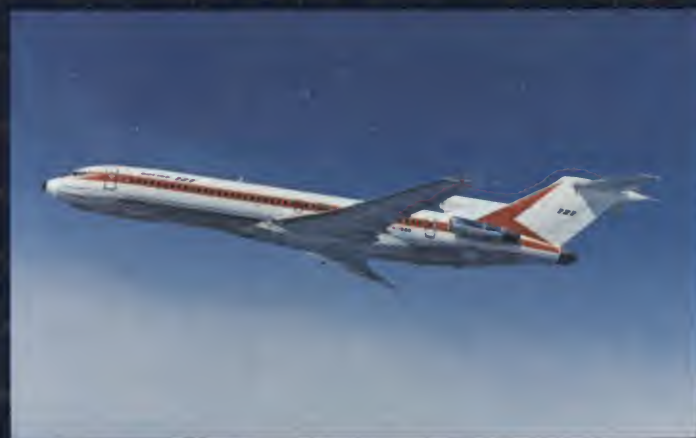


BOEING

1976 ANNUAL REPORT





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ON THE COVER

- A. Pegasus, the prototype patrol hydrofoil missileship, has completed U.S. Navy evaluation.
- B. Fourteen 747SPs, newest derivative of Boeing's superjet, went into service with four airlines during 1976.
- C. Three Boeing jets — 707 (with radome), 727 and 737 — are shown at this Renton facility.
- D. The E-3A — the Air Force's airborne warning and control system aircraft — has completed developmental testing and gone into production.
- E. The 727-200, newest version of the world's most widely sold commercial airliner.





HIGHLIGHTS

	<u>1976</u>	<u>1975</u>
Sales	\$3,918,535,000	\$3,718,853,000
Net earnings	\$ 102,895,000	\$76,347,000
Per average share outstanding	\$4.85	\$3.60
Per cent of sales	2.63%	2.05%
Stockholders' equity	\$1,084,826,000	\$1,010,093,000
Shares outstanding at year end	21,236,789	21,197,716
Stockholders' equity per share	\$51.08	\$47.65
Cash dividends paid	\$ 26,525,000	\$ 21,191,000
Per share	\$1.25	\$1.00
Salaries and wages	\$1,207,062,000	\$1,222,364,000
Average number of employees	65,400	72,600
Additions to plant, net	\$ 67,196,000	\$ 70,843,000
Depreciation of plant	\$ 66,997,000	\$ 67,197,000
Funded backlog at year end	\$3,959,850,000	\$3,728,755,000

MESSAGE TO STOCKHOLDERS

Nineteen seventy-six proved to be a very good year for Boeing, marked by higher earnings, a continued improvement in the company's overall financial position, and a strong year end backlog. An important development was the recovery of the domestic market for commercial jet transports. It brought U.S. orders above the level of foreign orders for the first time in seven years and assured strong commercial jet aircraft production through 1977 and into 1978. Meanwhile the company maintained a favorable level of government business.

Sales of \$3,919 million in 1976 were up from 1975 sales of \$3,719 million, and the backlog stood at \$3,960 million on December 31, 1976, compared with \$3,729 million at the end of 1975.

Earnings increased from \$76.3 million in 1975 to \$102.9 million in 1976, raising earnings per share from \$3.60 in 1975 to \$4.85. The increased earnings were achieved primarily because of continued favorable cost performance on our commercial jet transport and major military programs and better than anticipated orders for standard-body jet transports.

In recognition of the results achieved in 1976 and the continued improvement in the company's overall financial position, a special 25 cents per share dividend in addition to the regular quarterly dividend of 25 cents was paid in the fourth quarter of 1976. It brought total dividends for the year to \$1.25 per share. The quarterly dividend rate was increased to 35 cents per share beginning in the first quarter of 1977.

During 1976 our customers announced orders for 171 Boeing commercial airliners compared with 114 in 1975. The value of these orders was \$2.1 billion in 1976 compared with \$1.4 billion in 1975.

Our military markets remain substantial with funded orders from the Department of Defense of \$1.3 billion in 1976, the same value as in 1975. On-going programs made a significant contribution to sales and represent substantial future business potential. Several Boeing programs were revised

in the budget proposed to Congress by the new Administration. The effects of these revisions are reflected in this report.

During 1976 Boeing won the Air Force contract for the Compass Cope remotely piloted airplane. The company also won the contract for the Air Force Interim Upper Stage — a solid-fueled tug designed to carry Space Shuttle-launched payloads from low Earth orbit to higher orbits or to propel them onto planetary trajectories.

The company is involved in an Air Force competition for a new tanker/cargo airplane. Its entry is a version of the commercial 747 which has an enviable service record and unmatched capability to perform the required military missions. As a tanker, it could initially supplement the fleet of KC-135s, both for refueling other cargo aircraft and for carrying petroleum products to overseas military theaters. As a freighter, it could be used to carry military cargo anywhere in the world. In either role, its combined payload and range capabilities surpass any aircraft now in operation. The Air Force procurement decision is not expected until 1978.

A competition scheduled to be decided this year will determine if the Boeing YC-14, a short takeoff and landing transport, will qualify to enter the Air Force inventory. The YC-14 is a potential replacement for the C-130, a turbo-prop transport now providing tactical airlift for the U.S. Air Force.

The E-3A Airborne Warning and Control System aircraft entered production in 1975 and sales are expected to continue through the mid-1980s. If anticipated commitments from the North Atlantic Treaty Organization materialize, the total production run (domestic and foreign) could exceed 50 units.

The selection by the Army of a competitor, rather than Boeing Vertol, to produce the UTTAS helicopter was a major disappointment to the company. We are competing for an award from the Navy for a new helicopter which would extend the capabilities of naval surface ships in anti-submarine war-

fare and surveillance roles. The winner of this program is scheduled to be announced later this year.

The potential market for commercial jet transports continues to be favorable. Greater anticipated growth, along with the need to replace aircraft in operation because of noise requirements and fuel conservation, account for our continued belief in a sizable open market. The noise policy issued by the Department of Transportation last fall noted that nearly 80 per cent of the jetliners in domestic operation do not meet the latest noise regulations. Many of these aircraft can be modified to meet the regulations, but in the case of most of the older 707s and DC-8s replacement probably would be the desired option. Constant technical improvements incorporated in the 727 make this airplane increasingly attractive in this replacement market.

In the longer term, advanced technology aircraft which could lower operating costs and solve the noise problem at the same time will be required. Boeing has been working on the design of two such aircraft — the 7X7 and the 7N7 — which would meet the proposed noise regulations and provide substantial improvements in operating efficiency. Work began on the 7X7 several years ago and on the 7N7 about a year ago. Our progress should permit us to move ahead on either program as soon as the market is ready.

The company's other programs — Jetfoil boats, rail cars, computer software and services, and energy and environmental systems — are moving ahead. The impact of the initial developmental, production and marketing activities is substantially behind us, and we are accumulating experience which will enable us to develop future market potential in these areas.

In summary, the company's outlook is promising. There is a growing need for new commercial jet transports for both airline growth and replacement aircraft. The replacement requirement will become more critical with time. Total traffic of the world's scheduled airlines increased in 1976, rising about



Military derivatives of commercial transports and 727s and 747s for foreign and U.S. airlines in this Boeing Field flight line scene illustrate the mix of 1976 airplane deliveries. The first three planes on the right are U.S. Air Force

E-3As — 707s modified for the airborne warning and control system. The sixth and seventh in line are a 707 and 747 modified for use by the Imperial Iranian Air Force.

10 per cent above 1975 traffic. The combination of air traffic growth and fleet modernization requirements indicates a future market of substantial proportions.

Our current and potential military programs are both diverse and demanding. Growing awareness of the military buildup by the Soviets has underscored the requirement that we replace obsolete equipment and add new equipment with advanced technology to meet the threat.

Our objective is to be a broad-based company with primary emphasis on

high technology transportation, missile and space systems. Beyond that, our emphasis will be limited to certain elements of the energy and environmental business and computer services.

Boeing is in a sound financial position, with well-developed markets and the technological base to respond rapidly to new commercial or military requirements. It has an experienced and highly capable work force sup-

plied with excellent facilities and equipment. We face the future with substantial confidence.

T. A. Wilson

Chairman of the Board
Chief Executive Officer

W. B. Hamper

President

March 7, 1977

FOREIGN SALES AND MARKETING ACTIVITIES

During the past year, the company's foreign sales activity has received considerable attention in the news media. While the company prefers to sell its products with its own sales force, sales representatives and consultants have been engaged from time to time to assist with sales in certain foreign countries where their use was deemed advisable for the successful conduct of business. Payments have been made to such representatives and consultants on a fixed fee retainer or contingent fee basis.

Since January 1976 the Securities and Exchange Commission has been conducting a private investigation of certain payments by the company principally in connection with its foreign business for the stated purpose of determining whether any person has been engaged or is about to engage in any acts or practices in violation of the Federal securities laws or rules or regulations promulgated thereunder.

The Internal Revenue Service, through its audit and intelligence divisions, is reviewing the company's income tax returns for the years 1973-1975. As part of this review, the Service is investigating the company's practices relative to commissions and consulting fees paid by the company in connection with its sales to foreign customers.

The Federal Trade Commission is also conducting a nonpublic investigation of several aircraft manufacturing companies, including the company, to determine, among other things, whether such companies may

be engaging, or may have engaged, in any unfair methods of competition or unfair or deceptive acts or practices in violation of law in connection with sales of aircraft and related services.

The investigations of all three agencies are continuing and the company cannot predict what action, if any, will be taken upon completion of their investigations. The company's position is that it has complied with all applicable provisions of federal law, that commissions and consulting fees included in its income tax returns are properly deductible, and that adequate provision for income taxes has been made for the years 1973 through 1976.

Although a few of the persons who have received commission payments or fees from the company have held positions with their governments which might cause them to be deemed to be "public officials," management believes, based on the investigation to date, that none of such payments was illegal. Management is satisfied that all payments made with respect to foreign business have been identified in the company's accounting records, that the company has made no illegal political contributions, and that no funds have been diverted either directly or indirectly to so-called "slush funds."

Prior to commencement of any of the government investigations, management, with the assistance of outside counsel for the company, undertook a review of the same subject matter. The Board of Directors has received periodic reports from man-

agement and from counsel concerning the progress of the investigations. Also, the Board and its Audit Committee, consisting of outside directors, have met with the company's independent auditors to review matters appropriate to their responsibilities.

The company has considered very carefully the extent to which information concerning the payments it makes with respect to business it conducts in foreign countries ought to be disclosed publicly. The company regards such information as the prices charged for its products, the amount it pays its consultants and, in some countries, the identity of its consultants, to be proprietary commercial information, the public disclosure of which is not in the best interests of the company or its stockholders.

The company believes that it will be advisable for it to continue to engage consultants and pay commissions and financing and consulting fees in certain countries for assistance in selling its products in those countries. In August 1976, the Board of Directors approved an updated policy statement and implementation instructions relating to sales consultants, political contributions and financial records formalizing requirements and procedures designed to assure the company that in conducting its business it will continue at all times to be in full compliance with applicable laws, and that the nature and extent of all payments made by the company with respect to its foreign sales will continue to be accurately and properly recorded in the accounts of the company.

BOEING COMMERCIAL AIRPLANE COMPANY

An unexpected surge of orders from United States airlines coupled with a continuation of recent levels of purchases from international customers, accounted for a significant upturn in new business for the Boeing Commercial Airplane Company during 1976.

For the first time in seven years orders from United States airlines, 103, exceeded those from foreign customers, 68. Improvement of the U.S. economy from 1974-75 recession levels, passenger traffic gains of approximately 10 per cent, a desire to replace older equipment, and improved airline financial results were factors that influenced U.S. carriers to order jetliners in greater numbers during 1976.

The level of orders of 1976 may or

may not continue in 1977, considering the problems still besetting U.S. airlines. Their after-tax earnings for the past seven years are still less than half of the 12 per cent rate of return judged reasonable by the industry's regulatory agency.

Late in the year, the Department of Transportation issued a new policy calling for engine modification or the replacement of all older aircraft in U.S. service which do not meet current noise standards. Approximately 1,050 Boeing jets — and 1,650 aircraft in all — are affected. A financial proposal was set forth by the outgoing administration which would provide funds to the airlines to assist them in complying with the new noise rule. What the position of the new Administration is and what action Congress will take on this proposal is unclear at the present time.

The U.S. airlines' replacement requirements continue to grow. The average age of the U.S. airline fleet has been increasing yearly as new jetliner purchase decisions were deferred during the early 1970s. Company studies show that on the average, in the next five to seven years the U.S. trunk system should be replacing older jetliners at the rate of 170 airplanes each year.

Announced orders for the company's commercial jetliners in 1976 totaled 171, an increase of 57 over 1975. The new orders were valued at about \$2.1 billion, also a substantial increase from the previous year. In all, the free world's airlines placed orders for more than \$3.4 billion of new equipment from all manufacturers in 1976, compared to \$2.3 billion in 1975.



Of 27 747s delivered in 1976, 20 went to foreign airlines. Four of the five in this Everett flight line photo were built for foreign customers, the fifth is a

NASA-owned plane modified at the Everett plant to carry the space shuttle orbiter. (See page 10)



Boeing's 737 continues to gain popularity on high frequency routes and with airlines serving difficult or high altitude airports.

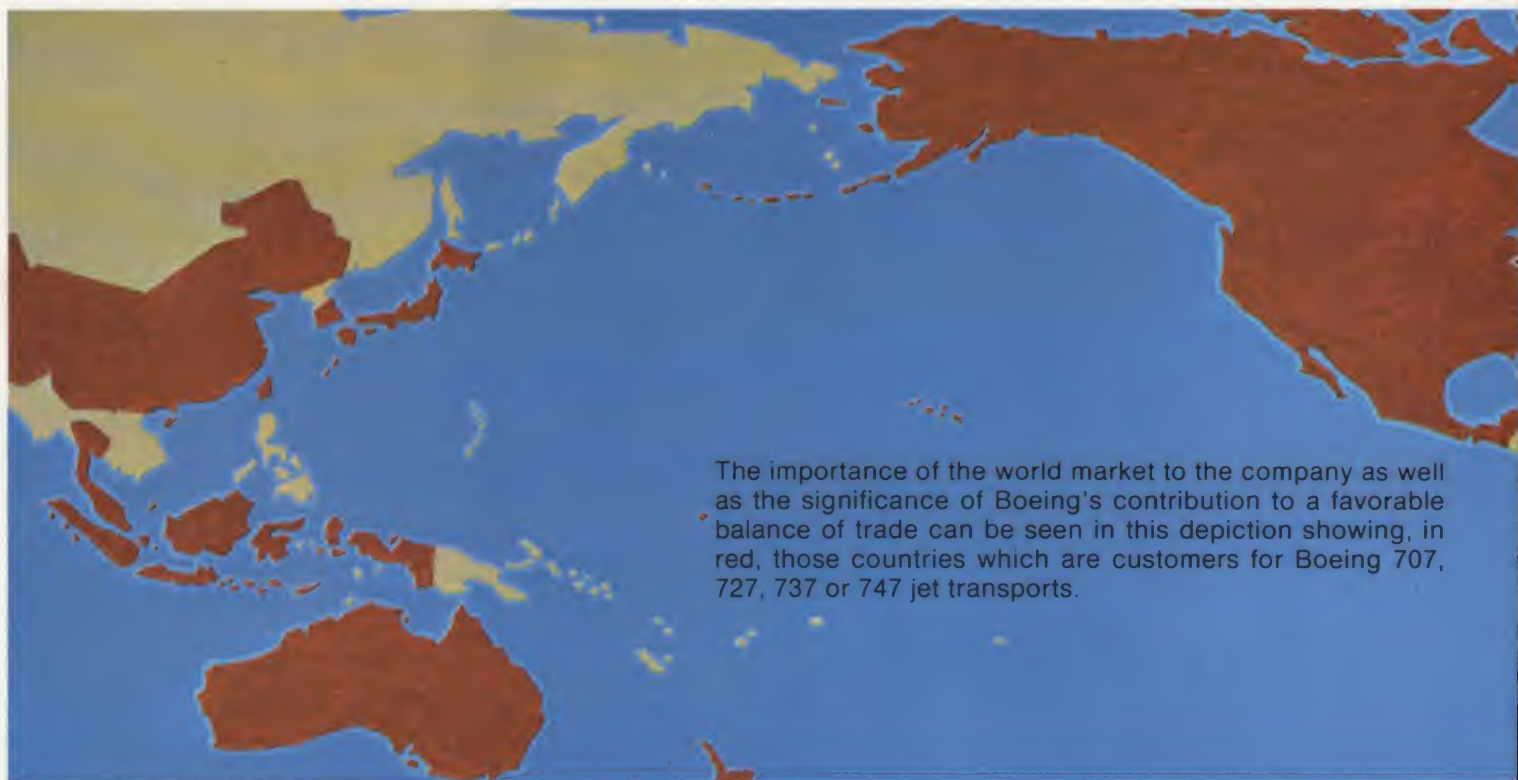


Orders for 114 727s in 1976 were more than double 1975 orders and brought total trijet orders since program began in 1960 to 1,357.



A British Airways 747 raises the dust of Lemoore Naval Air Station, Calif., as it takes off on a test flight at a gross weight of 840,500 pounds. The

plane climbed to 2,000 meters (6,562 feet) in 6 minutes, 33 seconds to set a new world's heavy lift record.



The importance of the world market to the company as well as the significance of Boeing's contribution to a favorable balance of trade can be seen in this depiction showing, in red, those countries which are customers for Boeing 707, 727, 737 or 747 jet transports.

Orders for the 727 increased to 114 airplanes, compared to 50 ordered the previous year. At year end orders for 1,357 727s had been announced since the program started in 1960. Other new orders, by model, were: four 707s, thirty-nine 737s, and fourteen 747s. Nine new Boeing customers placed orders. Cumulative jet transport orders — dating from Boeing's entry into the market in 1955 — passed the 3,000 mark during the year.

The largest order of the year was placed by United Airlines for twenty-

eight 727s. It was Boeing's first order from United since 1967. The 727s will replace, on a one-to-one basis, United's oldest four-engine jet transports. United officials noted that the 727 will be 33 per cent more fuel efficient than the airplanes it will replace, in addition to meeting all federal noise standards.

The attractiveness of the 727 for airlines desiring to modernize their fleets, or with requirements for an intermediate-range aircraft providing route and schedule flexibility, continued during the year. In the United States, Delta Air Lines and American

Airlines placed orders for 25 and 16 of the trijets, respectively. Singapore Airlines purchased 727s for the first time, selecting the airplane after intensive competition. Alitalia, the Italian flag carrier, took delivery of seven 727s and announced that its new trijet fleet would save the airline \$1 million a year over older aircraft being retired.

The 737, continuing a trend of several years, added seven more customers during 1976, bringing the total to 65. Olympic Airlines of Greece introduced the 737 into commercial service. Other new customers were Maersk Air of Denmark, Yemen Air, Gulf Air, Thai Airways, Southwest Air Lines (Okinawa) and the Government of Venezuela. The 737 continues to maintain its popularity on high-frequency routes between population centers, while at the same time serving some of the most difficult and remote airfields in the world with outstanding reliability.

The 707 remains in production at a rate of about one each month. Military derivatives (AWACS) and the ability to modify the airplane for executive trans-



Hong Kong Air Cargo Terminal where a freight handling system was installed by Commercial Airplane subsidiary, Boeing Aerosystems.



Flight simulators in which 750 airline crew members were trained by Boeing in 1976 are now using computer-generated visual systems.



portation accounts for most current 707 interest.

Early in 1977 the company and CFM International, a joint company of SNECMA of France and General Electric Co., signed an agreement to conduct a development and flight test program leading toward certification of the new CFM56 engine on the 707. This program could potentially lead to additional commercial and military interest in the 707 in the 1980s. The CFM56 engine, currently under development, has thrust of about 22,000

pounds, entails modern high by-pass engine technology with better fuel efficiency, and substantially improved noise characteristics over the engines now being utilized on the 707 airplane. Flight tests will begin in 1979.

Late in 1976, the 300th 747 was rolled from the factory. Since entering service, 747s have carried more than 132 million passengers worldwide. The newest derivative of the Superjet, the 747SP, went into service in April and quickly lived up to its promise of attracting passengers on long-range nonstop routes. At year's end 14 747SPs were in service with four airlines: Pan American, South African Airways, Iran Air and Syrianair.

Pan American inaugurated nonstop New York-Tokyo service with the 747SP in April, and then added Los Angeles-Tokyo. Late in the year, the airplane began nonstop service between San Francisco and New Zealand-Australia, and New York-Bahrain.

In May, Pan American established new world speed and point-to-point records with a 747SP named "Clipper

Liberty Bell," on a round-the-world flight that took only 46 hours and required just two refueling stops.

South African Airways, which has five 747SPs in service, put on a spectacular display of the airplane's capability on its initial delivery flight. The SP departed from Everett, Washington, and flew the 10,290 miles to Cape Town, South Africa, nonstop in 17 hours, 22 minutes, a world's record distance for commercial airplanes.

The first 747 powered by Rolls-Royce engines, which initially flew in September, is scheduled to complete testing and gain certification by U.S. and British regulatory agencies early this spring. British Airways will take delivery of the first of six airplanes of this newest version in the same time period.

Other significant activity included a demonstration of 747 growth potential, accomplished when a 747 set a new world weight-lifting record by taking off at a gross weight of 840,500 pounds.

At the end of the year, the combined monthly production rate for all aircraft



Increased deliveries of spares — 400,000 items to 190 customers — contributed to commercial transport sales total set in 1976.



Commercial Airplane's customer support organization performed its largest aircraft repair job in 78 days to return this 747 to the air.

models was 9½ airplanes. However, primarily as a result of increased 727 orders during 1976, production will be accelerated in 1977, resulting in a combined average monthly rate of about 15 airplanes in the latter part of the year.

Further progress was made on 7X7 developments during the year, with the emphasis still directed at a medium-range airplane in the 180 to 200-passenger category. There was a substantial effort oriented to working with the airlines in establishing a final configuration most appropriate to satisfying their requirements. This has involved design analyses, mockup construction, and wind tunnel testing to establish performance characteristics of both two- and three-engine versions of this aircraft.

Another development program which received considerable attention by our design and marketing staffs in 1976 is known by the designation 7N7. The program, as now conceived, would cover a medium-range market area involving aircraft with capacities ranging from 130 to 160 passengers. It would utilize two engines — either new or derivatives of present-day high bypass engines — for maximum gains in reduction of community noise and decreased fuel consumption per passenger mile flown. Coordination with airlines also took place on 7N7.

It is uncertain which of the two programs — 7X7 or 7N7 — will proceed into production first. With development activity continuing simultaneously, the company is in the position to move on either program, depending on how the

airline markets develop and the corresponding airline interest.

The timing of a production go-ahead for a new airplane program is still uncertain, although there is consensus that airplanes in the size and range categories we have been developing are required for the early 1980s.

Discussions have continued with respect to possible foreign collaboration on our new airplane projects. Such talks will continue during 1977 with various international aerospace interests.

Boeing Aerosystems, which provides air transportation services worldwide, made significant gains in 1976. Aerosystems completed a contract to supply and install the cargo-handling system for Hong Kong's new air cargo terminal. New assignments range from providing technical management assistance on the Salt Lake City airport expansion program to being a member of the team selected to complete a master plan and design for a third major airport in Saudi Arabia. Work continues in Angola where Aerosystems has a contract to install an air traffic control and communications system.

The customer support organization continues to be extremely important in maintaining strong post-delivery relationships with our customers. The company's reputation for support has been a key element in acquiring new business.

The group's 1,400 employees provide customer airlines with spares, training and field support services. During 1976, the company shipped more than 400,000 line items of spares to 190 customers.

Training activity was particularly heavy in 1976. Nearly 2,000 airline employees received maintenance training at Boeing facilities, bringing the total to 41,500 since the program began in 1957. In addition, 750 airline flight crew personnel, including pilots and flight engineers, attended Boeing training, bringing the 10-year total to 5,200. The customer support organ-

ization placed in operation the most advanced computer-generated color visual system in the world. This system, which simulates realistic day and night flying conditions, is in use in all four of the company's commercial flight simulators.

Higher than anticipated orders in 1976 will insure strong production output through 1977 and into 1978. How this new order momentum will carry over into 1977 and through the remainder of the decade hinges on continued traffic growth, world economic stability and the financial position of the U.S. airlines. Although the U.S. airlines' outlook appears to be improving, uncertainties with respect to regulatory reform and what mechanism the government will use to help the airlines meet the costs of replacing or retrofitting airplanes for noise improvement cloud the immediate horizon. Worldwide, the escalating cost of jet fuel has a negative impact on the airline industry.

Even with an uncertain market, however, the company's family of commercial jetliners has remained highly competitive, and we are continuing to develop and incorporate improvements. The company's emphasis on advanced technology research and engineering development of new airplane designs is predicated on the emerging need for newer, more ecologically oriented, and fuel-efficient aircraft in the 1980s. Our intent is to be able to respond rapidly with a new program when market conditions warrant.



A possible trijet configuration of the 7X7 undergoes wind tunnel testing. Two-engine models have also been tested and evaluated.

BOEING AEROSPACE COMPANY



Two prototype YC-14s, Boeing entries in the Air Force's Advanced Medium STOL (short takeoff-and-landing) Transport program, began flight tests in

1976. A unique powered-lift system is designed to permit the YC-14 to operate out of short, undeveloped airfields.

Boeing Aerospace Company scored several key competitive wins in the military and space fields, and ended the year involved in a number of competitions which offer the prospect of substantial growth in business volume.

Looking to the years immediately ahead, however, the company faces more than the usual uncertainties. Decisions still pending — involving, for example, the B-1 bomber and the air-launched cruise missile — will be based on complex international considerations. Still other programs await the results of major competitions in which the company is engaged.

Fortunately, the company has several programs which face no critical decision point in 1977 and therefore should remain stable this year. In the present environment, however, it is particularly important that we seek out new opportunities for expansion of our business base.

To pursue some of these opportunities, we have established two new organizations. One offers innovative

and cost-effective ways for the armed services to meet their logistics requirements. The other will seek research, development and production programs related primarily to naval air and shipboard weapon systems.

The company's principal customer continues to be the U.S. Air Force. An important Air Force competition presently under way is the Advanced Medium STOL (short takeoff-and-landing) Transport program, intended to select a successor to the widely used C-130 Hercules. For this competition, Boeing has built two prototypes called YC-14s, both of which entered flight test during the latter half of the year.

After demonstrating the basic airworthiness and structural integrity of the Boeing design, the prototypes were flown to Edwards Air Force Base in California, where they are progressing very well in their test program. These aircraft are equipped with advanced digital electronic flight control systems and a powered-lift system called upper surface blowing. They are

designed to carry heavy cargo loads in and out of short, undeveloped airfields.

During the year, Boeing completed developmental testing and continued production of AWACS, which the Air Force has designated the E-3A. A command and control system intended to increase the effectiveness of both air defense and tactical air power, the E-3A consists of radar and other electronics mounted in a 707 airframe. Funding has been approved for sixteen E-3As, with the first being delivered to the Air Force in March, 1977. Total Air Force fleet requirements for the system, however, are under review.

By year end, nearly 4,000 flight hours had been compiled by the E-3A test fleet. The flights included participation in three major war-game exercises which demonstrated that the system will significantly improve the command and control of U.S. forces in combat.

In December, NATO defense ministers announced a decision "in principle" to purchase AWACS for strength-



Developmental testing was completed and production continued in 1976 on the Air Force's E-3A



airborne warning and control system aircraft. Nearly 4,000 hours of flight testing by the

Boeing-built E-3A fleet included participation in three major war game exercises.

ening European air defenses. NATO is studying Boeing proposals which offer a variety of alternatives.

The company's principal B-1 strategic bomber assignment has been to develop and integrate the sophisticated electronics system which navigates the aircraft to its target, manages its weapons inventory, and ensures accurate placement of the weapons on target. In addition, Boeing is developing key portions of the defensive system and integrating the entire electronics system into the aircraft.

A B-1 test aircraft, equipped with Boeing-developed offensive electronics, carried out a highly successful flight test program during the year. The avionics system proved that it met, and in many cases exceeded, the requirements specified by the Air Force. A measure of Boeing's performance is the fact that its B-1 Avionics team earned a second 100 per cent incentive award for its work on this program. A similar honor for this team in 1975 was the first 100 per cent award ever granted on a major Air Force program.

The Air Force's November decision to implement limited production of the B-1 strategic bomber resulted in a contract under which Boeing will supply offensive avionics for the first three production aircraft.

A major competitive win for Boeing during 1976 was a contract for the design, fabrication and flight test of three Compass Cope remotely piloted vehicles (RPVs). Compass Cope is the first RPV program in which the pilot remains on the ground, flying and landing the vehicle through data links. The Boeing craft can fly 24-hour missions at high altitude, performing such functions as battlefield surveillance, communications relay, weather monitoring and ocean surveillance.

Developmental work continued on the Air Force's E-4B Airborne Command Post, which will carry an electronics system more advanced than the initial A model, three of which are

now in service. Both models (A and B) are modified 747s, to be used for command and control of U.S. forces in a national emergency. For the E-4B, the company installed and certificated a 1,200 KVA (kilovolt-ampere) electrical power system, the largest ever developed for airborne application.

Another derivative of the 747 presents one of the major business opportunities for the future. This is the company's entry in the Air Force's Advanced Tanker/Cargo Aircraft competition. In our proposal, submitted late in 1976, Boeing is offering a version of the 747. With fuel tanks positioned in the cargo hold, the 747's main deck would be available for military cargo.



A 747 modified by Boeing for the assignment carries NASA's Space Shuttle Orbiter in the first of a series of tests to prove the spacecraft's landing

capabilities. The orbiter weighs 144,000 pounds and is about the same length — 122 feet — as a Boeing 727-100 trijet.



Boeing has won contract to build three Compass Cope planes which can be flown on high altitude missions by a pilot on the ground.



A drive-on/drive-off loading ramp for use with military cargo on 747 freighters, developed by Boeing, can be deployed within eight minutes of the

plane's arrival. Ramp is strong enough to load any piece of U.S. Army equipment that can fit into the freighter.

Because the 747 can carry more fuel and more cargo — and carry it farther — than any other aircraft, the company believes it is ideally suited for this mission. The Air Force procurement decision on this program, originally expected in the spring of 1977, has been postponed for a year. The delay permits further study of future tanker and airlift requirements and the most cost-effective ways to meet them.

Boeing is seeking a major role in the development of the Air Force's M-X, a mobile intercontinental ballistic missile, and already has won two developmental contracts. The company's primary interest is in assembly and testing of missiles and ground support and communications equipment.

On the present Minuteman ICBM, improvements to the system continued through 1976. Authorized funding will extend some program activities until late 1978.

During the year Boeing began flight testing of the Air Launched Cruise Missile, for which the company is prime contractor for airframe and integration. Current major activity involves preparation for full-scale development.

Production of another air-launched missile, the Short Range Attack Missile (SRAM), may be reactivated. Though

no production decision has been made, the Air Force has authorized Boeing to assemble a team of suppliers and prepare to build an improved version of the missile. The present SRAM is deployed by the Strategic Air Command on its bombers.

Manufacture and testing of components for the U.S. Roland surface-to-air missile system continued, in preparation for delivery of the first fire unit and test missiles during 1977. Boeing is the principal subcontractor to Hughes Aircraft Company and a joint licensee to produce this European-developed weapon in the U.S. The supersonic missiles will be used by the U.S. Army for short-range, low-altitude defense against aircraft.

Additional Army business was acquired when Boeing was awarded the Designating Optical Tracker flight program. This program is designed to obtain data for ballistic missile defense at the outer edge of the atmosphere. The company's assignment involves the design, development and testing required to support and conduct flight tests of sensor vehicles.

Winning another 1976 competition enabled the company to expand its role in the nation's space program. This new contract, with the Air Force, calls for the design and validation of a family of upper stages for payloads launched from NASA's Space Shuttle. Called Interim Upper Stages (IUS), these vehicles will carry Shuttle



Boeing participation in the Minuteman ICBM Force Improvement Program continued in 1976. Part of the missile suspension system, left, is



prepared for installation. At right, both the suspension system and the missile, minus warhead, are shown in the launch silo.



Boeing is prime contractor for airframe and integration of the Air Launched Cruise Missile which underwent flight tests in 1976.

payloads from low earth orbits to higher mission orbits and to planetary trajectories. Full-scale development is expected to follow, culminating in the first free flight of a Shuttle-launched IUS in 1980. A potential total of 197 IUS payloads has been identified by NASA and the Department of Defense.

Another Shuttle-related task was completed in 1976 with the conversion of a NASA-owned 747 into a carrier for the Shuttle's Orbiters. The aircraft has completed flight testing with the Orbiter atop its fuselage and is preparing for this summer's mission of launching



Aerospace Company technicians check the base module of a satellite to be launched as one of NASA's Applications Explorer Missions.

this highly visible passenger on glide and landing tests in California. When the Shuttle program becomes operational, the 747 will be used for transporting the reusable Orbiter from the re-entry landing area to launch site.

During 1977 the company hopes to achieve further expansion of its role both in exploring space and in developing additional applications for space technology. In the latter category, Boeing was awarded a NASA contract to continue its studies of the feasibility of constructing huge satellites to transform the sun's rays into



Forward-looking radar unit, part of the B-1 strategic bomber's avionics system, undergoes testing at Boeing's Developmental Center.

electricity for household and industrial use. The company plans also to compete for the assignment to design, develop, fabricate and assemble the support systems module for NASA's 2.4-meter Space Telescope, an instrument which will greatly increase astronomers' ability to study the universe.

During 1976, the company performed well on existing programs while pursuing a number of high-technology opportunities which hold good potential for broadening its future business base.

BOEING VERTOL COMPANY

Vertol was unsuccessful in its bid to win the U.S. Army's Utility Tactical Transport Aircraft System (UTTAS) production competition. Vertol's aircraft was a strong competitor offering advanced technology including a hingeless rotor, fiberglass blades and a dynamic drive system with very high reliability. The Army cited lower program schedule risk as the principal reason for its choice in this very close competition.

The company is now concentrating its efforts on winning the U.S. Navy's Light Airborne Multi-Purpose System (LAMPS) program. The Vertol LAMPS proposal is based on adapting the same advanced technology incorporated in the company's UTTAS design and providing a system that substantially increases the Navy's overall mission capability with minimal technical risk. The Navy program includes a 3½-year development phase, utilizing

six pre-production aircraft and leading to a production contract in 1980. Selection of a single aircraft contractor is expected during the second quarter of this year. Production of over 200 aircraft is planned.

Production continued on the CH-47 Chinook, with 15 new aircraft delivered

to the U.S. Army and 9 to Agusta, our Italian licensee. In addition, a contract was negotiated for the delivery of 12 aircraft to the Army in 1977.

In June, 1976, a contract was negotiated with the Army for the development of a modernized CH-47, with advancements in its electrical,



Vertol's Light Rail Vehicles began operating in Boston in December when severe storms disrupted other rail services. By year end, 28 cars had been

shipped to Boston. LRV deliveries to San Francisco are scheduled for 1978.



A mockup of the U.S. Navy's Light Airborne Multi-Purpose System (LAMPS) helicopter. Vertol is competing for a contract to manufacture six

pre-production aircraft in a 3½-year development phase and an ultimate production contract for approximately 200 aircraft.

mechanical and avionics systems, as well as the incorporation of new fiberglass rotor blades and improved engines. This development effort is expected to lead to production contracts for fleet modernization of all U.S. Army CH-47 aircraft.

Development of the CH-46E helicopter through a prototype modernization program was completed successfully and on schedule in 1976. Vertol is currently producing modernization kits to be installed by the Navy. The Navy plans to update 276 CH-46 aircraft to the "E" configuration. Installation will begin this year.

In conjunction with the CH-46E program, a significant achievement in the helicopter industry occurred in December 1976 when Vertol manufactured the first production-tooled fiberglass rotor blade in the United States, using company-developed production techniques and tooling. The company expects to produce 5,500 rotor blades to replace current blades on Boeing helicopters in the U.S. Army and Navy fleets.

During 1976, Vertol (under license from Messerschmitt-Bolkow-Blohm GmbH) sold 18 BO-105 commercial helicopters. The major markets are for executive transport and servicing of offshore oil fields.

Vertol's surface transportation pro-

grams made good progress during 1976. Passenger service with Light Rail Vehicles (LRV) began in Boston on December 30, a week earlier than planned because of a major snowstorm which disrupted other rail service. The new cars performed well under overloaded conditions and passenger reaction was excellent. By year end, 28 LRVs had been shipped to Boston.

By the end of 1977, Boston will have received 131 Light Rail Vehicles, with production deliveries to San Francisco beginning in 1978. The completion of current orders, which include 175 cars for Boston and 100 for San Francisco, is expected in early 1979. There appears to be a sizable market in the future for the LRV as a replacement vehicle in cities with existing streetcar and trolley lines, and for cities contemplating new rail transit systems. Plans are being considered to demonstrate the LRVs in Pittsburgh, Philadelphia and Newark.

Four prototype Rapid Transit cars are carrying passengers in Chicago as part of a revenue service evaluation program initiated in October, 1976. These cars, the first of a 200-car order for the Chicago Transit Authority, have demonstrated the successful achievement of major technical and performance requirements. Delivery of production vehicles is expected to

begin early this year.

Chicago has requirements for an additional 550 cars over the next five to eight years. The company is pursuing this opportunity for "follow-on" business in Chicago and anticipates that other markets will develop.

The company is managing two rail car development programs for the U.S. Department of Transportation. One of the programs consists of the development and demonstration of two State-of-the-Art cars. These cars have been in revenue service between Philadelphia and southern New Jersey and are scheduled for modification by incorporation of advanced subsystems in 1977 under the continuing development program. The other program involves the development of an Advanced Concept Train which will be tested in 1977 prior to a revenue service demonstration tour in five selected U.S. cities.



Update program for 276 Navy CH-46E helicopters includes first production-tooled fiberglass rotor blades in U.S., made by Vertol.

BOEING WICHITA COMPANY

During 1976 the programs of the Boeing Wichita Company included military aircraft modernization, commercial aircraft modification, avionics and the manufacture of parts and assemblies for Boeing's commercial jet transports.

In the field of military aircraft, principal effort was devoted to support of the B-52 and KC-135 weapon systems. Substantial effort was also directed at the preparation of a competitive proposal for B-52/KC-135 simulator trainers.

Structural improvements to extend the service life of B-52D aircraft continued throughout the year and at year end the last of 80 Air Force bombers were being prepared for flight test and delivery.

The KC-135 was involved in three programs: fabrication and installation of wing re-skin improvement kits for the tanker were continued; a contracted study to define potential KC-135 performance improvements, including the installation of new engines, was completed; and a five-year KC-135 depot maintenance contract with the Air Force ended in mid-1976



A structural modification program to extend the service life of 80 Air Force B52Ds was carried out

with redelivery of the last of 763 tankers to undergo modification.

In the field of avionics, a study was made under a contract with the Air Force to define low-life-cycle-cost avionics. A program to develop this technology and to apply it in updating

at Wichita. Work included replacement of each plane's inboard wing structure.

the offensive avionics of strategic bombers, including production of prototype hardware and testing with a B-52, is scheduled for 1977.

Also in avionics, work continued on the B-1 bomber, including in-flight operation and pre-production planning of the airplane's electro-optical viewing system.

Support of other company organizations in the development and production of their products continued as a major element of company business. Major structural components for jet airliners were produced, including fabricated parts and assemblies for the 707, the center engine inlet and duct for the 727, the fuselage and empennage structure for the 737, the forward body section for the 747 and cargo handling provisions for 747 freighters.

Nine 747 freighter conversions were completed for commercial and non-U.S. government customers, including American Airlines, Pan American World Airways and the Government of Iran.

Wichita's Nacelle/Noise Abatement branch fabricated struts and nacelles for the YC-14 prototypes and for CF6-50 and JT9D-70 engines used on 747s.



The capabilities of the 747 and increasing use of air freight by shippers have resulted in an active program at Wichita to convert passenger model

747s to cargo carriers. Conversion includes installation of side-loading door, above, and a cargo-handling system.

BOEING COMPUTER SERVICES, INC.



Employees of Western Bancorporation's United California Bank are the first to participate in a

computer-assisted teller training program developed by Boeing Computer Services.

During 1976, Boeing Computer Services, Inc. (BCS) continued to provide all computing services for Boeing operating organizations while expanding its commercial customer base by more than 25 per cent. Taking advantage of current computer and communications technology, utilization of new major systems is being expanded to additional Boeing operating organizations and plant locations. For example, use of the on-line production planning system was expanded to all divisions of the Commercial Airplane Company and to the Aerospace Company; also, large development expenditures were avoided at Vertol when seven major systems, which are in use in Seattle and/or Wichita, were either installed at Vertol or made available by teleprocessing from Seattle.

Progress also was evident in the commercial business. New orders increased by 14 per cent and sales increased by 23.4 per cent over 1975. Major orders included a contract from Western Bancorporation for training bank tellers in the use of a new on-line system. This program is being developed and administered via a computer-based instruction system which

allows tellers to receive their training through the same equipment they later will operate. Training of 7,000 tellers in over 700 bank offices will be conducted over a two-year period.

Under a recently awarded Air Force contract BCS will implement and maintain the airborne and ground support computer software for the

E-3A airborne warning and control system, and will provide operational support for the computer programs.

New products which will augment BCS's commercial marketing thrust in the financial marketplace are being announced. One is an executive information service to provide financial managers and analysts with information for planning corporate strategies, analyzing financial trends, estimating costs, and comparing budgets against actual expenditures.

Through the expansion of BCS data communications in 1976, computer access now is available in 51 cities in North America and the United Kingdom. Through the use of minicomputers to eliminate transmission errors and other means, the quality of the communications network is continually being improved.

BCS and its subsidiaries finished 1976 with 27 sales offices, 12 data centers and a \$160 million equipment base to provide The Boeing Company and BCS's commercial and government customers in the United States, Canada and Europe with local and remote computing, facility management, custom programming, application packages, training and consulting services.



Use of the BCS/Boeing computer-aided design/computer-aided manufacture program expanded in 1976. Airplane parts are manufactured from

computer-aided designs on numerically-controlled machines programmed through computers at Boeing's Auburn fabrication facility.

BOEING ENGINEERING AND CONSTRUCTION



The Bonneville Power Administration controls its eastern subtransmission power grid with a computer-based data acquisition and control system

Boeing Engineering and Construction (BEC) continued to develop its energy and environment business areas.

Contracts in the nuclear power area included equipment, construction, and research and development. BEC is manufacturing large stainless steel pool liners for storage and handling of fuel assemblies for two nuclear plants and providing services on nuclear fuel enrichment programs, waste leak detection systems, and transport systems for spent nuclear fuel.

BEC's general construction subsidiary, BOECON, is constructing major concrete installations and associated support buildings at several nuclear plants. In a joint venture with another construction company, BOECON is building a facility in Idaho for treatment of radioactive liquid waste. BOECON also has a Navy contract for construction of a coal-fired steam plant.

Energy from solar power plants and other advanced sources was another prime area of activity. One BEC solar power plant development program employs a field of reflectors enclosed in plastic hemispheres which are computer controlled to reflect the sun's image onto a central receiving

delivered by BEC. Similar systems are being developed for BPA's western area and a Bureau of Reclamation power installation.

tower where the heat is converted into steam. BEC has study contracts in other new technology areas for advanced energy storage systems and for recovery of recyclable materials, including fuel, from municipal solid waste and sludges.

Under contract with a British oil company, BEC provided project management support and consulting engineering services for placement of a deep-water oil production platform in the North Sea off the coast of Scotland. Weighing over 34,000 tons and rising 606 feet from the bottom of the sea, the platform was the largest yet constructed.



BEC took part in the project that placed a 606-foot oil production platform — largest ever constructed for the North Sea — near Scotland.

BEC increased its involvement in computer-based data acquisition and control systems for electric utilities. A major system was delivered to the Bonneville Power Administration for control of its eastern subtransmission power grid. Similar systems were under development for BPA's western area and for the Bureau of Reclamation for control of three hydroelectric dams and an associated power transmission system in the Southwest.

In the environmental field, emphasis again was placed on municipal and industrial water cleanup. BOECON continued to be active in the field of water treatment, with construction projects under way on municipal wastewater treatment plants, related pumping stations and other facilities. Resources Conservation Co., owned jointly by affiliates of Boeing and two other companies, increased its brine concentrator orders by electric utilities to 11 units. The brine concentrator removes pollutants and produces pure water suitable either for recycling in-plant or for return to river systems. In 1976, three new units of this type began handling the cooling tower waste of two electrical generating stations in Montana and Colorado. Four more are under construction at sites in Colorado and New Mexico. At a remote installation in Canada, another brine concentrator began purifying brackish ground water for industrial plant processes and for human consumption.



BEC solar energy experiments include plastic domed heliostats containing mirrors 15 feet in diameter, located near Boardman, Oregon.

BOEING MARINE SYSTEMS



The U.S. Navy's operational evaluation of Pegasus, the Boeing-built prototype patrol hydrofoil missile ship, was completed in 1976.

Boeing Marine Systems is currently concentrating on the military and commercial hydrofoil markets.

The U.S. Navy has been given congressional and Department of Defense approval for production of five patrol hydrofoil missileships (PHMs). Final contract negotiations are scheduled to be completed in time to allow production to begin in the spring of 1977 with delivery of the first ship in 1980. The Administration has stated, however, that the PHM program will be subject to further review.

Pegasus, the prototype PHM, successfully completed an operational evaluation by the U.S. Navy in California last year. She will undergo Navy acceptance trials this spring prior to commissioning and deployment in the fleet.

Boeing commercial hydrofoils —

known as Jetfoils — are operating in Hawaii, Hong Kong and Venezuela. A second Jetfoil will be added this spring by Turismo Margarita to its service from Puerto La Cruz on the Venezuela mainland to Margarita Island in the Caribbean.

Sado Kisen Kaisha of Niigata, Japan, has purchased a Jetfoil that will

operate between Niigata on the main Japanese island of Honshu and Sado Island in the Sea of Japan beginning this spring. P & O Jet Ferries of London, England will operate a Jetfoil under charter starting this summer, testing the market acceptance of the craft in service across the English Channel.



A Jetfoil, left, flying on its foils, banks into a turn during tests on Seattle's Elliott Bay. In commercial service in Hong Kong, another Jetfoil, right, con-



trasts in speed and appearance with conventional craft. Jetfoils are also operating in Hawaii and Venezuela.

FINANCIAL REVIEW

Sales, Earnings and Dividends

Consolidated sales for 1976 increased \$200 million to a record \$3,919 million. Export sales were 48% of total sales in 1976 compared with 41% in 1975. Sales to the U.S. Government were 34% in 1976 and 38% in 1975.

Including military derivatives, ten 707s, sixty-one 727s, forty-one 737s and twenty-seven 747s were delivered in 1976 for a total of 139. This compares with 1975 deliveries of eight 707s, ninety-one 727s, fifty-one 737s and twenty-one 747s for a total of 171. Although total commercial jet transport deliveries declined, increased spares deliveries, growth in support, service, and modification programs, and somewhat higher price levels resulted in total 1976 jet transport sales being higher than comparable 1975 levels.

Current schedules anticipate the delivery of twelve 707s, seventy-eight 727s, twenty-nine 737s, and twenty-

two 747s for a total of 141 aircraft in 1977.

Military aircraft sales were slightly above prior year levels, with increased E-3A (AWACS) and B-1 Avionics sales partially offset by some decrease in Airborne Command Post, YC-14, helicopter and military modification program sales. Missile and space sales were below 1975 levels, principally because of reduced SRAM missile sales and somewhat lower Minuteman sales. These sales decreases were partially offset by higher sales on the Air Launched Cruise Missile (ALCM) and Roland short-range air defense missile programs.

Based on current programs and schedules, 1977 sales should be somewhat above the levels achieved in 1976.

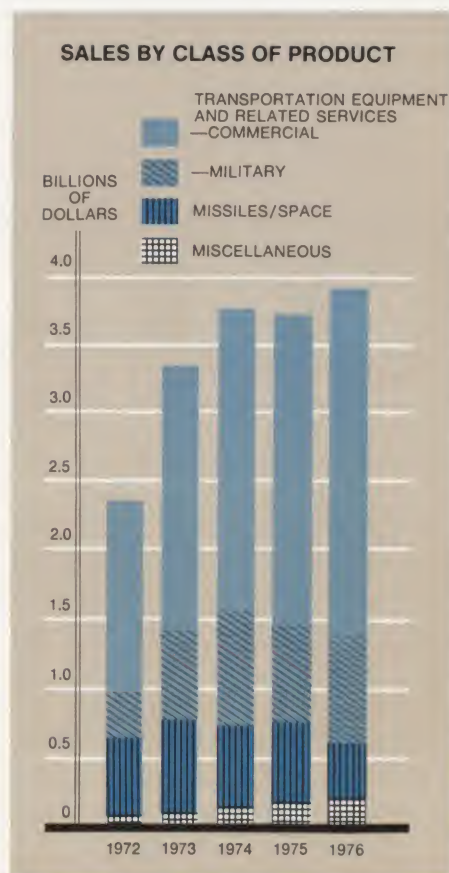
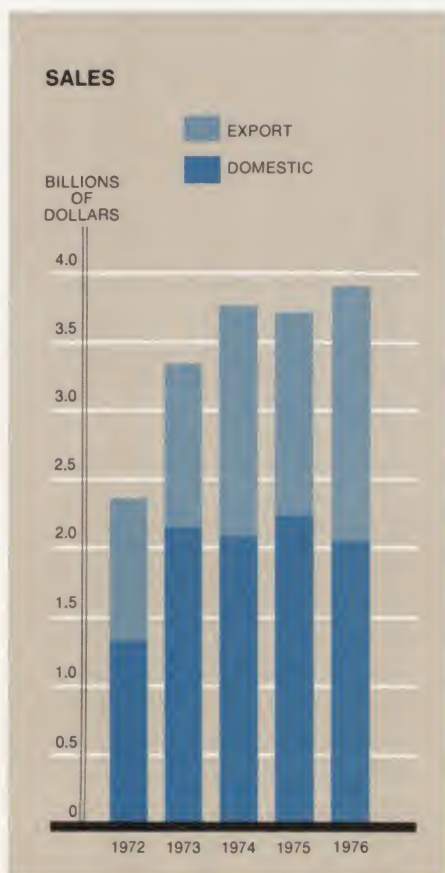
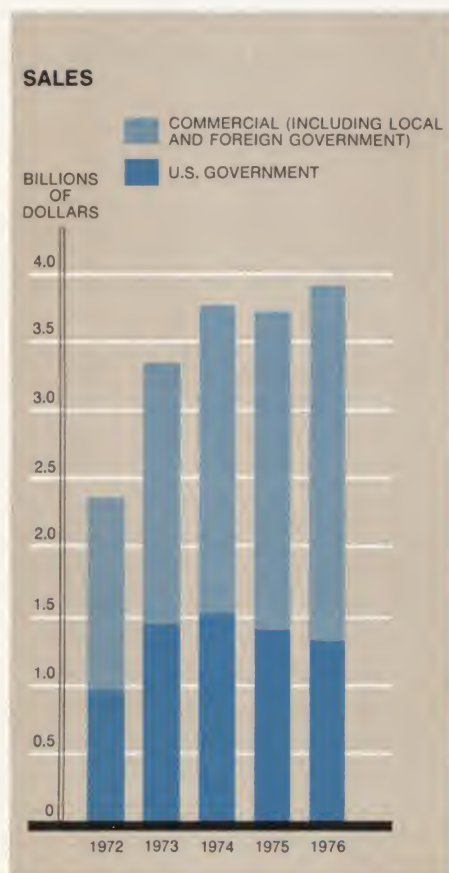
The company continued its practice of charging directly to earnings as incurred, research, developmental, gen-

eral and administrative expenses except to the extent such expenses are expected to be recoverable under contracts.

Research and development expenses of \$191 million and general and administrative expenses of \$121 million charged directly to earnings were respectively \$2.5 million and \$4.3 million higher than in 1975.

The improved earnings for 1976 were primarily achieved through continued favorable performance on major programs, higher than previously anticipated orders for standard-body jet transports, increased other income and lower interest and debt expense. Research, development and other expenditures relating to new aircraft, derivative models and product improvement of commercial jet transports and other transportation equipment programs continued at a relatively high level.

Earnings before Federal income



taxes were \$162.6 million, an increase of \$49.8 million or 44% above the comparable 1975 figure of \$112.7 million. The 1976 provision for Federal taxes on income was \$59.7 million, compared with \$36.4 million in 1975. The \$23.3 million increase resulted from the tax on increased earnings less \$1.0 million increase in benefits from the company's domestic international sales corporations.

Net earnings for 1976 were \$102.9 million, an increase of \$26.6 million or 35% over the \$76.3 million reported in 1975. The earnings amounted to \$4.85 per share or 2.63% of sales compared with \$3.60 per share or 2.05% of sales in 1975.

Sales and earnings contribution by the company's major business categories for the five-year period 1972 through 1976 are summarized at the bottom of this page.

Quarterly dividends paid per share for 1976 and 1975 were as follows:

Quarter	1976	1975
1st	\$.25	\$.20
2nd25	.20
3rd25	.20
4th50	.40
	<u>\$1.25</u>	<u>\$1.00</u>

Regular quarterly dividends were increased from 15 cents to 20 cents per share in the first quarter of 1975 and were further increased to 25 cents per share in the first quarter of 1976. In addition, special dividends of 20 cents per share in 1975 and 25 cents per share in 1976 were paid in December. Effective with the first quarter of 1977, the regular quarterly dividend rate was further increased to 35 cents per share.

Ranges of 1976 and 1975 market prices for the company's common stock, as traded on the New York Stock Exchange, were as follows:

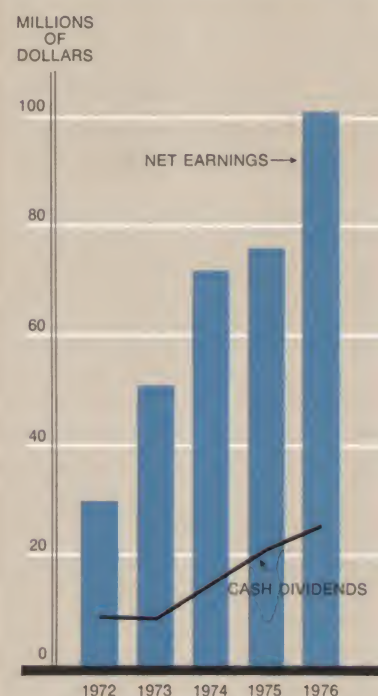
Quarter	1976		1975	
	High	Low	High	Low
1st	29½	24¾	22¾	15½
2nd	40¾	26¼	31¾	20
3rd	45¾	37	30¾	23¾
4th	46¼	39¾	29½	22¼

Financial Position

Stockholders' equity at December 31, 1976 amounted to \$1,085 million, up \$75 million from year-end 1975. Working capital increased \$57 million to \$635 million.

The non-current portion of long-term aircraft financing, which includes

NET EARNINGS AND CASH DIVIDENDS



SALES AND EARNINGS CONTRIBUTION (in millions)

	1976	1975	1974	1973	1972
Sales					
Transportation equipment and related services (primarily aircraft)	\$3,321	\$3,005	\$3,020	\$2,598	\$1,752
Missiles/space and miscellaneous	598	714	711	737	618
Total	<u>\$3,919</u>	<u>\$3,719</u>	<u>\$3,731</u>	<u>\$3,335</u>	<u>\$2,370</u>

Approximate Earnings Contribution After Program and Contract Research and Development Expenses

Transportation equipment and related services (primarily aircraft)	\$249.9	\$201.1	\$167.0	\$113.5	\$119.1
Missiles/space and miscellaneous	64.7	59.7	68.2	84.9	48.7
	<u>314.6</u>	<u>260.8</u>	<u>235.2</u>	<u>198.4</u>	<u>167.8</u>
Other expenses—net	(152.0)	(148.1)	(132.8)	(140.6)	(143.0)
Earnings before taxes	<u>\$162.6</u>	<u>\$112.7</u>	<u>\$102.4</u>	<u>\$ 57.8</u>	<u>\$ 24.8</u>

Unallocated "other expenses—net" include general and administrative expenses and company-sponsored independent research and development costs not recoverable under contracts, interest on debt, interest income and miscellaneous income.

notes receivable, investment in sales type leases and the depreciated book values of aircraft on operating leases, increased \$24 million to a total of \$261 million. The increase reflects a \$73 million increase in the company's investment in sales-type leases offset by a \$48 million reduction in notes receivable and a \$1 million decrease in the net book value of aircraft on operating leases.

The company's net investment in plant and equipment remained at \$373 million as facilities additions net of retirements approximately equalled depreciation.

Long-term debt was \$133 million at the end of 1976, a reduction of \$16 million during the year, reflecting required annual payments on long-term debentures and notes.

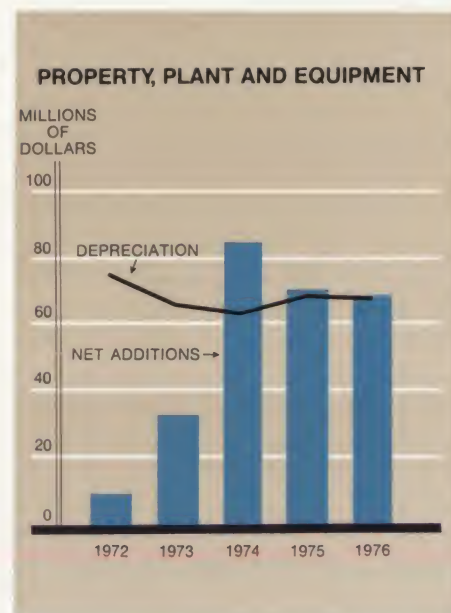
The company's commercial bank credit arrangements are covered by two major agreements. The first agreement provides for open lines of credit aggregating \$100 million which are available to the company through March 31, 1977. The second agreement provides a credit line of \$50 mil-

lion to Boeing Financial Corporation, a wholly-owned subsidiary established to assist in financing commercial aircraft. The loans are governed by a borrowing base which is dependent on assets owned by Boeing Financial Corporation. There were no borrowings under either of these agreements at year end.

Backlog

Total firm backlog of unfilled orders at the end of 1976 was \$3,960 million, an increase of \$231 million or 6.2% from the \$3,729 million at the end of 1975. Of the total 1976 backlog, \$2,658 million or 67% was commercial (including local and foreign government) compared with \$2,569 million or 69% at the end of 1975. United States Government backlog was \$1,302 million or 33% at December 31, 1976 compared with \$1,160 million or 31% at the end of 1975.

Announced orders for which definitive contracts have not been executed and purchase options are not included in commercial backlog. Government order backlog is limited to amounts



obligated to contracts by the procuring agencies. If recognition were given to unfunded amounts under contract with the United States Government at December 31, unfilled orders would be increased by about \$400 million at the end of 1976 and \$500 million at the end of 1975.

ACCOUNTANTS' REPORT

TOUCHE ROSS & CO.

Board of Directors
The Boeing Company
Seattle, Washington

We have examined the consolidated balance sheets of The Boeing Company and subsidiaries as of December 31, 1976 and 1975, and the related statements of net earnings and retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of The Boeing Com-

pany and subsidiaries at December 31, 1976 and 1975, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Also, in our opinion, the action of the Board of Directors on February 7, 1977, in setting aside the sum of \$3,500,000 for the year 1976 under the Incentive Compensation Plan for officers and employees, is in conformity with the provisions contained in the first paragraph of Section 2 of such plan.

THE FINANCIAL CENTER
SEATTLE, WASHINGTON 98161
February 23, 1977

Touche Ross & Co.
Certified Public Accountants

FINANCIAL STATEMENTS**CONSOLIDATED STATEMENTS OF
NET EARNINGS AND RETAINED EARNINGS**

Year ended December 31,

	<u>1976</u>	<u>1975</u>
Sales	\$3,918,535,000	\$3,718,853,000
Other income	<u>71,381,000</u>	<u>50,850,000</u>
	3,989,916,000	3,769,703,000
Costs and expenses	3,815,013,000	3,642,365,000
Interest and debt expense	<u>12,308,000</u>	<u>14,591,000</u>
	3,827,321,000	3,656,956,000
Earnings Before Taxes	162,595,000	112,747,000
Federal taxes on income	<u>59,700,000</u>	<u>36,400,000</u>
Net Earnings	102,895,000	76,347,000
Retained earnings, January 1	571,944,000	516,788,000
Cash dividends paid: 1976—\$1.25 per share; 1975—\$1.00 per share	<u>(26,525,000)</u>	<u>(21,191,000)</u>
Retained earnings, December 31	<u>\$ 648,314,000</u>	<u>\$ 571,944,000</u>
Net Earnings Per Share	<u>\$4.85</u>	<u>\$3.60</u>

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS**ASSETS**

December 31,

Current Assets:

	<u>1976</u>	<u>1975*</u>
Cash and certificates of deposit	\$ 307,603,000	\$ 45,968,000
Short-term investments	242,417,000	62,625,000
Accounts receivable	225,807,000	215,489,000
Current portion of long-term aircraft financing	58,721,000	63,283,000
Inventories	435,132,000	777,740,000
Prepaid expenses	10,308,000	10,028,000
Total Current Assets	<u>1,279,988,000</u>	<u>1,175,133,000</u>

Long-Term Aircraft Financing:

Notes receivable, less current portion	133,786,000	181,591,000
Investment in sales-type leases, less current portion	85,636,000	12,187,000
Aircraft on operating leases, at cost, less accumulated depreciation: 1976 — \$98,094,000; 1975 — \$98,046,000	<u>41,892,000</u>	<u>43,076,000</u>
	<u>261,314,000</u>	<u>236,854,000</u>

Property, Plant and Equipment, at cost:

Land	27,641,000	27,152,000
Buildings	540,657,000	524,865,000
Machinery and equipment	641,737,000	620,319,000
Construction in progress	17,394,000	16,602,000
Less accumulated depreciation and amortization	<u>(854,449,000)</u>	<u>(816,157,000)</u>
	<u>372,980,000</u>	<u>372,781,000</u>

Other Assets and Deferred Charges	<u>4,316,000</u>	<u>4,128,000</u>
	<u>\$1,918,598,000</u>	<u>\$1,788,896,000</u>

*Reclassified to conform with 1976 presentation.

See notes to consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

December 31,

Current Liabilities:

Notes payable to banks	\$ 5,430,000	\$ 5,690,000
Accounts payable	412,192,000	381,682,000
Salaries and wages, taxes and other accrued expenses	168,179,000	157,459,000
Federal taxes on income	43,105,000	36,400,000
Current portion of long-term debt	15,799,000	16,244,000
Total Current Liabilities	<u>644,705,000</u>	<u>597,475,000</u>

Deferred Taxes On Income	37,000,000	22,000,000
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Deferred Investment Credit	34,400,000	26,300,000
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Long-Term Debt , less current portion	117,667,000	133,028,000
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Contingent Liabilities

Stockholders' Equity:

Capital stock—

Common, par value \$5 a share:

Authorized, 40,000,000 shares

Issued at stated value—21,688,888 shares 444,357,000 446,672,000

Retained earnings 648,314,000 571,944,000

1,092,671,000 1,018,616,000

Less treasury stock, at cost—

1976—452,099 shares; 1975—491,172 shares (7,845,000) (8,523,000)

1,084,826,000 1,010,093,000

\$1,918,598,000 \$1,788,896,000

**CONSOLIDATED STATEMENTS OF
CHANGES IN FINANCIAL POSITION**

Year ended December 31,

Sources of funds:

From operations—

	1976	1975*
Net earnings	\$102,895,000	\$ 76,347,000
Depreciation:		
Plant and equipment	66,997,000	67,197,000
Leased aircraft	12,304,000	11,037,000
Amortization of investment credit	(9,600,000)	(9,700,000)
Deferred Federal taxes on income	15,000,000	15,000,000
Total from operations	187,596,000	159,881,000
Increase in deferred investment credit	17,700,000	13,000,000
	<u>205,296,000</u>	<u>172,881,000</u>

Uses of funds:

Additions to plant and equipment, net	67,196,000	70,843,000
Increase (decrease) in long-term aircraft financing	36,764,000	(8,069,000)
Cash dividends	26,525,000	21,191,000
Decreases in long-term debt	15,361,000	16,011,000
Other	1,825,000	(2,667,000)
	<u>147,671,000</u>	<u>97,309,000</u>

Net Increase In Working Capital	<u>\$ 57,625,000</u>	<u>\$ 75,572,000</u>
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Changes in components of working capital:

Cash and certificates of deposit	\$261,635,000	\$ 6,470,000
Short-term investments	179,792,000	62,625,000
Accounts receivable	10,318,000	(22,322,000)
Current portion of long-term aircraft financing	(4,562,000)	806,000
Inventories	(342,608,000)	14,631,000
Prepaid expenses	280,000	(1,471,000)
Notes payable to banks	260,000	(1,690,000)
Accounts payable	(30,510,000)	31,603,000
Salaries and wages, taxes and other accrued expenses	(10,720,000)	6,308,000
Federal taxes on income	(6,705,000)	(20,571,000)
Current portion of long-term debt	445,000	(817,000)

Net Increase In Working Capital	<u>\$ 57,625,000</u>	<u>\$ 75,572,000</u>
--	----------------------	----------------------

*Reclassified to conform with 1976 presentation.

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 1976 and 1975

Note 1 • SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF CONSOLIDATION. The consolidated financial statements include the accounts of all significant subsidiaries. Intercompany profits, transactions and balances have been eliminated in consolidation.

INVENTORIES. Inventoried costs on long-term commercial programs and U.S. Government contracts include direct engineering, production, and tooling costs and applicable overhead. In addition, for U.S. Government fixed-price incentive contracts, inventoried costs include research, development, general and administrative expenses estimated to be recoverable. Inventoried costs are reduced by the estimated average cost of deliveries.

For mature commercial programs, the average cost of deliveries is based on the estimated total cost of units committed to production. For commercial programs in the early production stages, the average cost of deliveries is based on the estimated total cost of units representing a conservative market projection. For U.S. Government contracts the average cost of deliveries is based on the estimated total cost of units under contract.

To the extent the total costs as determined above are expected to exceed the total estimated sales price, charges are made to current earnings to reduce inventoried costs to estimated realizable value.

In accordance with industry practice, inventoried costs include amounts relating to programs and contracts with long production cycles, a portion of which is not expected to be realized within one year.

Commercial spare parts and general stock materials are stated at average cost not in excess of realizable value.

REVENUE RECOGNITION. Sales under commercial programs and U.S. Government fixed-price and fixed-price incentive contracts are recorded as deliveries are made. Sales under cost-reimbursement type contracts are recorded as costs are incurred and fees are earned. Certain U.S. Government contracts contain profit incentives based upon performance as compared to predetermined targets. Incentives based on cost are recorded currently. Other incentives are included in revenues when awards or penalties are established, or when amounts can reasonably be determined. The sales portion of revenue on sales-type leases is recorded as deliveries are made. The interest portion is deducted from the investment and is recognized over the life of the lease. Other leases are accounted for on the operating method.

DEPRECIATION AND AMORTIZATION. Property, plant and equipment and aircraft on operating leases are recorded at

cost and depreciated or amortized over useful lives based principally on accelerated methods.

RETIREMENT PLANS. The Company has several retirement plans covering substantially all employees. The Company's policy is to accrue and fund current pension costs. Unfunded past service costs are amortized principally over 25 years.

RESEARCH, DEVELOPMENT, GENERAL AND ADMINISTRATIVE EXPENSES. Research, development, general and administrative expenses are charged directly to earnings as incurred except to the extent estimated to be recoverable under contracts.

FEDERAL TAXES ON INCOME. The provision for Federal income taxes is based on all elements of income and expense included in the statement of net earnings, regardless of the period when such items are reported for tax purposes, except that no provision is made for that portion of the earnings of the Company's Domestic International Sales Corporations for which management believes tax payments will be indefinitely deferred. The effects of timing differences between the reporting of revenues and expenses for financial statements and Federal income tax purposes are reflected as changes in deferred taxes on income. Investment tax credits are deferred and recorded as reductions in the provision for income taxes over the lives of the applicable assets.

Note 2 • ACCOUNTS AND NOTES RECEIVABLE:

Accounts receivable at December 31 consist of —

	1976	1975
	(in thousands)	
Amounts receivable under		
U.S. Government contracts	\$104,905	\$ 95,417
Accounts receivable from		
commercial customers . . .	120,902	120,072
	<u>\$225,807</u>	<u>\$215,489</u>

No significant amounts are included in accounts receivable which represent retainages under contracts, amounts subject to future negotiations, accrued costs and profits not billable, or amounts which will not be collected within one year.

Principal payments receivable under long-term notes for the next five years are —

	(in thousands)	
1977		\$55,190
1978		48,409
1979		41,612
1980		17,103
1981		11,984

The notes bear interest at rates of 5% to 12%.

Note 3 • INVENTORIES:

Inventories at December 31 include the following —

	<u>1976</u>	<u>1975</u>
	(in thousands)	
Inventoried costs relating to long-term commercial programs and U.S. Government contracts, less estimated average cost of deliveries	\$1,062,439	\$1,332,080
Commercial spare parts and general stock materials	140,228	146,342
	<u>1,202,667</u>	<u>1,478,422</u>
Less advances and progress payments . . .	(767,535)	(700,682)
	<u>\$ 435,132</u>	<u>\$ 777,740</u>

Inventoried costs relating to long-term U.S. Government contracts include general and administrative expenses of approximately \$24,085,000 in 1976 and \$12,500,000 in 1975.

Inventoried costs relating to long-term commercial programs and U.S. Government contracts include \$163,000,000 in 1976 and \$179,000,000 in 1975 of un-amortized tooling costs and \$146,000,000 in 1976 and \$196,000,000 in 1975 representing the excess of aggregate production costs incurred on in-process and delivered units over the aggregate estimated average cost of such units (determined as described in Note 1). It is estimated that \$230,000,000 of such amounts, which relate principally to the 747 program, will be recovered from firm orders received after February 23, 1977. With respect to the 747 program, such costs are being averaged over what management believes to be a conservative market projection of 400 aircraft. As of February 23, 1977, the Company had received 320 firm orders for 747 aircraft of which 295 had been delivered at December 31, 1976.

Note 4 • FEDERAL INCOME TAXES:

The provision for Federal taxes on income consists of —

	<u>1976</u>	<u>1975</u>
	(in thousands)	
Taxes currently payable	\$54,300	\$31,100
Deferred tax expense	15,000	15,000
Amortization of investment tax credit	(9,600)	(9,700)
	<u>\$59,700</u>	<u>\$36,400</u>

The provision for Federal taxes on income was reduced by \$9,500,000 (\$.45 per share) in 1976 and \$8,500,000 (\$.40 per share) in 1975 applicable to earnings of the Company's Domestic International Sales Corporation (DISC) subsidiaries, since management intends to indefinitely postpone

payment of such taxes through the reinvestment of undistributed earnings in export-related assets. Cumulative undistributed DISC earnings for which Federal income taxes have not been provided amount to approximately \$88,500,000.

Deferred tax expense results from —

	<u>1976</u>	<u>1975</u>
	(in thousands)	
Deferred DISC earnings not indefinitely postponed	\$ 9,800	\$19,200
Long-term aircraft financing . . .	8,900	(1,400)
Commercial and U.S. Government program costs	(3,600)	(3,000)
Other	(100)	200
	<u>\$15,000</u>	<u>\$15,000</u>

The provision for Federal taxes on income is less than that which results from application of the statutory corporate tax rate because such provision has been reduced by \$9,500,000 in 1976 and \$8,500,000 in 1975 related to undistributed DISC earnings and by \$9,600,000 in 1976 and \$9,700,000 in 1975 of investment tax credit amortization.

Income taxes have been settled with the Internal Revenue Service for all years through 1972. In connection with the audit of the Company's Federal income tax returns for the years 1973 through 1975, the Internal Revenue Service is reviewing the Company's practices relative to commissions and consulting fees paid in connection with sales to foreign customers. The Company has not been advised of any proposed adjustments or disallowance relating to such payments. The Company cannot predict the outcome of this audit, but it is the Company's position that the payments are properly deductible and that adequate provision for income taxes has been made for the years 1973 through 1976.

Note 5 • NOTES PAYABLE AND LONG-TERM DEBT:

Short-term notes of \$5,430,000 at December 31, 1976, bearing interest at rates ranging to ¼% above the Canadian commercial bank prime rates are payable by Canadian subsidiaries under lines of credit aggregating \$6,600,000. No borrowings were outstanding at December 31, 1976 under agreements with a group of U.S. banks which provide open lines of credit of \$100,000,000 bearing interest at the commercial bank prime rate. Cash balances are maintained under informal compensating balance arrangements in connection with the lines of credit. No restrictions are imposed on the use of these funds.

Boeing Financial Corporation, a wholly-owned subsidiary, is a party to a Term Loan and Credit Agreement with a group of banks providing \$50,000,000 of financing under a revolving credit agreement governed by a borrowing base. This agreement, under which no borrowings are outstanding, provides for interest at 120% of the commercial bank prime rate.

Long-term debt consists of the following —

	December 31,	
	1976	1975
	(in thousands)	
6% notes payable	\$110,500	\$121,250
5% notes payable	19,750	22,500
5% Sinking Fund Debentures	2,192	4,837
Other notes	1,024	685
Less current maturities	(15,799)	(16,244)
	<u>\$117,667</u>	<u>\$133,028</u>

The 6% notes, maturing in 1986, are payable to a group of institutional lenders. Required annual payments are \$10,750,000.

The 5% notes, maturing in 1983, are payable to an insurance company in annual installments of \$2,750,000.

The final payment of \$2,192,000 on the 5% Sinking Fund Debentures is due August 1, 1977.

The Company has complied with the restrictive covenants contained in the various debt agreements.

Aggregate maturities and sinking fund requirements on long-term debt for each of the next five years are as follows —

	(in thousands)
1977	\$15,799
1978	14,264
1979	13,509
1980	13,580
1981	13,508

Note 6 • RETIREMENT PLANS:

Costs and expenses for 1976 and 1975 include retirement plan costs of \$84,828,000 and \$67,938,000. At December 31, 1976, actuarially determined vested benefits exceeded retirement plan assets by approximately \$107,000,000.

Note 7 • RESEARCH, DEVELOPMENT, GENERAL AND ADMINISTRATIVE EXPENSES:

Expenses charged directly to earnings as incurred include —

	1976	1975
	(in thousands)	
Research and development	\$190,598	\$188,059
General and administrative	121,132	116,863

Note 8 • CAPITAL STOCK:

The Company has authorized 10,000,000 shares of \$1 par preferred stock, none of which has been issued.

During 1975 and 1976, the Company received unfavorable court decisions related to adequacy of the notice of the 1966 call of Convertible Subordinated Debentures. The stated value of capital stock has been reduced by \$552,000 in 1975 and an additional \$2,737,000 in 1976, which represent management's estimate of the established liability to debenture holders. Various issues remain in contention, and the final judgment may require an adjustment of the estimated liability.

Treasury shares of 39,073 (\$678,000) in 1976 and 26,228 (\$456,000) in 1975 were reissued for the exercise of stock options, resulting in increases in the stated value of capital stock of \$422,000 and \$66,000. There were no other changes in common stock outstanding during the two years ended December 31, 1976.

At December 31, 1976, options for 498,681 shares of the Company's stock at prices ranging from \$13.25 to \$27.50 were outstanding, of which 81,394 shares were exercisable. During 1976, options for 170,350 shares were granted and options for 3,774 shares were cancelled. Additional options for 82,869 shares are available for grant under the present stock option plan.

Note 9 • INTERIM FINANCIAL INFORMATION (unaudited):

Quarterly results of operations for 1976 and 1975 are summarized on page 29.

Note 10 • REPLACEMENT COST INFORMATION (unaudited):

In compliance with Securities and Exchange Commission regulations, the Company has included certain estimated replacement cost data in the Form 10-K annual report filed with the SEC.

Disclosures with respect to inventories and cost of sales are not applicable because most of the Company's inventories relate to products built to specifications under binding contracts, and inflation does not result in inventory profits under these circumstances.

Although the cumulative impact of inflation over a number of years results in indicated higher costs for replacement of existing plant and equipment, such costs would be partially offset by increased productivity and the reduction of other costs attendant to overall efficiencies inherent in replacing existing productive capacity. Disclosures with respect to replacement cost of productive capacity represent, in the Company's view, a reasonable approximation of the information required by the Securities and Exchange Commission.

Note 11 • CONTINGENT LIABILITIES:

Substantially all of the Company's contracts with the U.S. Government are subject to renegotiation under the Renegotiation Act of 1951. Renegotiation Board proceedings for all years through 1971 have been concluded. The Company does not know and cannot predict what the Board's actions will be for 1972 and subsequent years. In view of this uncertainty, and the belief of the Company that no excessive profits were realized, no provision for renegotiation refund has been made for these years.

The Company is engaged in various legal proceedings which in some instances involve claims for substantial amounts. Most of these claims are covered by insurance, and the Company does not anticipate that the amounts, if any, which may be required to be paid by the Company will be material.

FIVE-YEAR COMPARATIVE FINANCIAL DATA

Dollars in millions except per share amounts

SUMMARY OF OPERATIONS

Year ended December 31,

	1976	1975	1974	1973	1972
Sales	\$3,918.5	\$3,718.9	\$3,730.7	\$3,335.2	\$2,369.6
Other income	71.4	50.8	47.3	43.8	39.4
	<u>3,989.9</u>	<u>3,769.7</u>	<u>3,778.0</u>	<u>3,379.0</u>	<u>2,409.0</u>
Costs and expenses	3,815.0	3,642.4	3,660.3	3,282.0	2,327.8
Interest and debt expense	12.3	14.6	15.3	39.2	56.4
	<u>3,827.3</u>	<u>3,657.0</u>	<u>3,675.6</u>	<u>3,321.2</u>	<u>2,384.2</u>
Earnings before taxes	162.6	112.7	102.4	57.8	24.8
Federal taxes on income	59.7	36.4	30.0	6.6	(5.6)
Net Earnings	<u>\$ 102.9</u>	<u>\$ 76.3</u>	<u>\$ 72.4</u>	<u>\$ 51.2</u>	<u>\$ 30.4</u>
Average number of common shares outstanding	21,217,617	21,190,125	21,187,605	21,513,521	21,685,076
Per share —					
Net earnings	\$4.85	\$3.60	\$3.42	\$2.38	\$1.40
Cash dividends	\$1.25	\$1.00	\$.75	\$.40	\$.40

MANAGEMENT DISCUSSION AND ANALYSIS OF THE SUMMARY OF OPERATIONS

Management's discussion and analysis of 1976 results compared with 1975 are set forth in the Financial Review section of this report under Sales, Earnings and Dividends, pages 18 and 19. Management's comments relative to 1975 results compared with 1974 are summarized as follows:

Sales in 1975 were slightly below the 1974 level. Although commercial jet transport deliveries were somewhat lower, increased spares deliveries, growth in support and modification programs, and the impact of inflation on prices resulted in total jet transport sales being comparable to those in 1974. Military aircraft sales were

slightly below prior year levels with decreases in E-3A (AWACS), Airborne Navigator Trainer and helicopter sales being partially offset by increased Airborne Command Post, YC-14 and B-1 Avionics sales. Missile and space sales were also lower as conclusion of the current SRAM missile production program occasioned a decline in sales, more than offsetting increased Minuteman and Air Launched Cruise Missile program sales.

Research and development expenses, and general and administrative expenses charged directly to earnings in 1975 were respectively \$9.6 million and \$6.4 million higher

than in 1974. The somewhat improved earnings were primarily achieved through continued favorable performance on major programs coupled with an increase in other income and a modest reduction in interest and debt expense.

The 1975 provision for Federal taxes on income increased \$6.4 million over 1974 due to the tax on increased earnings plus the net effect of a \$1.5 million decrease in benefits from the company's domestic international sales corporations and a \$0.6 million increase in amortization of previously deferred investment tax credits.

FINANCIAL POSITION AT YEAR END

	1976	1975*	1974*	1973*	1972*
Working capital	\$ 635.3	\$ 577.7	\$ 502.1	\$ 463.8	\$ 738.6
Long-term aircraft financing	261.3	236.9	256.0	261.1	277.2
Facilities — at cost	1,227.4	1,188.9	1,137.5	1,067.5	1,059.2
Facilities — net	373.0	372.8	369.1	349.5	382.4
Other assets and deferred charges	4.3	4.1	6.8	5.6	4.4
Long-term debt	117.7	133.0	149.0	164.8	502.6
Deferred taxes	37.0	22.0	7.0	(10.0)	2.0
Deferred investment credit	34.4	26.3	23.0	25.1	33.1
Stockholders' equity	1,084.8	1,010.1	955.0	900.1	864.8
— per share	\$ 51.08	\$ 47.65	\$ 45.11	\$ 42.27	\$ 39.87
Common shares outstanding	21,236,789	21,197,716	21,171,488	21,296,488	21,688,888

SOURCES AND (USES) OF FUNDS

Net earnings	\$ 102.9	\$ 76.3	\$ 72.4	\$ 51.2	\$ 30.4
Depreciation of plant	67.0	67.2	64.5	66.0	75.9
Deferred items	23.1	18.3	14.9	(20.0)	(26.3)
Long-term debt	(15.4)	(16.0)	(15.8)	(337.8)	(24.9)
Cash dividends	(26.5)	(21.2)	(15.9)	(8.6)	(8.7)
Plant additions, net	(67.2)	(70.8)	(84.1)	(33.1)	(9.4)
Aircraft financing	(24.5)	19.1	5.1	16.1	6.7
Other	(1.8)	2.7	(2.8)	(8.5)	
Increase (decrease) in working capital	<u>\$ 57.6</u>	<u>\$ 75.6</u>	<u>\$ 38.3</u>	<u>\$ (274.7)</u>	<u>\$ 43.7</u>

OTHER DATA

Firm backlog	\$3,959.9	\$3,728.8	\$3,824.4	\$3,152.2	\$2,830.9
Salaries and wages	\$1,207.1	\$1,222.4	\$1,099.0	\$ 955.5	\$ 783.5
Average number of employees	65,400	72,600	74,400	68,200	58,600
Floor area (million square feet)					
Boeing owned	25.1	25.0	25.2	23.7	24.2
Leased	2.5	2.5	2.3	1.5	1.6
Government owned	5.7	5.7	5.8	5.9	7.4

*Reclassified to conform with 1976 presentation.

QUARTERLY FINANCIAL DATA

Dollars in millions except per share amounts

Quarter	Sales		Costs and expenses		Net earnings		Net earnings per share	
	1976	1975	1976	1975	1976	1975	1976	1975
1st	\$ 742.0	\$ 839.9	\$ 728.0	\$ 819.3	\$ 15.6	\$ 18.5	\$.74	\$.87
2nd	1,165.7	1,039.8	1,135.8	1,017.7	27.1	19.9	1.27	.94
3rd	798.7	794.6	780.6	779.3	22.7	17.3	1.07	.82
4th	1,212.1	1,044.6	1,170.6	1,026.1	37.5	20.6	1.77	.97
	<u>\$3,918.5</u>	<u>\$3,718.9</u>	<u>\$3,815.0</u>	<u>\$3,642.4</u>	<u>\$102.9</u>	<u>\$ 76.3</u>	<u>\$4.85</u>	<u>\$3.60</u>

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L. D. ALFORD
President

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Dover, New Jersey and Kent, Washington
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Senior Vice President

BOEING MARINE SYSTEMS

Renton, Washington
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SEATTLE SERVICES DIVISION

Seattle, Washington
B. W. LAMB
General Manager

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BOEING CONSTRUCTION EQUIPMENT CO.
BOEING ENVIRONMENTAL PRODUCTS, INC.
BOEING OF CANADA, LTD.
BOEING SERVICES INTERNATIONAL, INC.
BOEING TECHNOLOGY INTERNATIONAL, INC.





GENERAL COUNSEL

Perkins, Coie, Stone, Olsen & Williams

GENERAL AUDITORS

Touche Ross & Co.

TRANSFER AGENT AND REGISTRAR

The First National Bank of Boston

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inquiries or any other matters:

First National Bank of Boston
Shareholder Services Division
Post Office Box 644
Boston, Massachusetts 02102
Tel: 617-434-6615

Other offices where hand delivery of
certificates for transfer may be made:

First National Bank of Boston
100 Federal Street, Floor 1-B
Boston, Massachusetts

FNB Financial Co.
1 Wilshire Boulevard, 8th Floor
Los Angeles, California
Tel: 213-627-4361

FNB Clearance Corporation
61 Broadway, 7th Floor
New York
Tel: 212-422-1350 or
212-695-2370, Ext. 6615

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